



RESEAU AFRICAIN DE MICROFINANCE

A F M I N

THE AFRICA MICROFINANCE NETWORK

4th Annual Conference of the Africa Micro finance Network

**“Increasing Micro finance Outreach and Effectiveness in Africa”
December 6 to 10, 2005, Bamako, Mali,**

Declaration and conclusion of Conference participants

1- Preliminary remarks

With view to promoting lateral learning among microfinance practitioners, stakeholders and policy makers on Building Inclusive Financial Sectors in Africa and globally, AFMIN organised in collaboration with APIM/Mali, UNCDF and UN DESA its 4th Annual Conference in Mali on the theme “Increasing Microfinance Effectiveness and Outreach in Africa”.

The overall objectives of the AFMIN 4th Annual Conference and Best Practices workshop were to:

1. Provide a forum for key stakeholders in Africa (microfinance practitioners, leaders of microfinance networks, policy makers and development partners) to share information and experiences, and recommend policies and strategies to increase the outreach and effectiveness of microfinance in Africa.
2. Reinforce the shared vision, effectiveness and processes for building mutual accountability and good governance by AFMIN members.
3. Provide formal and informal opportunities for lateral learning, strategic partnerships and linkages.

The annual conference and best practice workshop brought together key actors in the microfinance industry in Africa: clients, regulators, microfinance practitioners, network leaders, technical service providers, and donors and investors. The event had the following highlights:

- An introductory exposure to the microfinance landscape in Mali to visiting participants by His Excellency the Minister of Investments Promotion of Small

and Medium Enterprises of Mali, and field visit to Malian leading MFIs and their clients;

- Two days best practice workshop during which microfinance practitioners, technical service providers and policy makers from around the globe will share experiences, discuss and recommend strategies to improve the outreach and effectiveness of microfinance institutions in Africa;
- Structured and unstructured meetings among different participant groups to increase lateral learning opportunities and build strategic partnerships and linkages; a meeting of members of AFMIN to reaffirm their shared vision and mission, review their performance results for 2003 and renew their commitment to excellence in building a microfinance industry serving the low income population in Africa.

2- Conference participants' declaration and conclusion

Participants in the AFMIN 4th Annual Conference in Bamako Mali, December 7 to 8, took the opportunity to discuss different and diverse issues related to the microfinance industry in Africa. Conference participants reflected on the framework, the vision, objectives and plans to increase the effectiveness and outreach of the microfinance sector in Africa.

Unanimously, the Conference participants agree as per their understanding that microfinance should be definitively accommodated as part of the financial sector. This is to insist that microfinance policy should not be fragmented and dispersed among other development programmes such as health, education, employment, etc., but be considered an integral part of the developing financial sector, whose function should be to provide the whole population, including the least-well served poor, with access to appropriate financial services. Donors as well as governments should avoid a fragmented approach, which makes it difficult to picture microfinance as a part of the overall financial sector.

Conference participants also believe that a change in the perception of microfinance from a poverty or development programme to a financial sector component will help to encourage sound practices, professionalism and sustainability of microfinance, and avoid market distortion and pitfalls. The perception and adoption of a financial sector approach at policy level assume however that other microfinance stakeholders also look at the financial sector globally. They should take into consideration everything that can affect the financial sector in diagnosing the sector and its constraints and opportunities.

Processes should be put in place at the country level to help mobilize microfinance stakeholders to develop a common vision and put together a strategic action plan and budget. Conference participants acknowledge in that respect that AFMIN and country level networks have a key role to play in helping improve the related processes, define the required framework at national level and develop the appropriate system to provide effective and sustainable financial services to the low income population.

Conference participants encourage donors to look at the microfinance sector as a whole and not only put the emphasis on the strongest Microfinance Institutions in a country. They should look at the wider sector and support Country Level Networks which are increasingly recognised to represent an important part of the sector's continued development and professionalisation, in order to build sound country level policies and strategies.

Conference participants have heard the demand and accept the need for more transparency so that actions can be clearly tracked and monitored. However, they observe that:

- This transparency is needed for all stakeholders – donors, MFIs, MFAs, etc.
- This is not only related to financial transparency, but also to marketing, knowledge sharing with customers.

Regarding the issue of supply and demand for more effective and sustainable microfinance services, Conference participants observe that there is a lot of available research to help understand client demand. The bigger gap, however, is actually on the supply side where a lack of information prevails on what institutions are actually accomplishing compared to what they could be accomplishing. Microfinance Institutions must be aware that microfinance service delivery is more complex than one could think originally, especially in a competitive environment where clients are more and more demanding and educated. As a result, Microfinance Institutions should endeavour to understand what clients want and how to deliver the services and products that their clients want instead of just assuming that potential clients will avail themselves of what the institution may be willing to offer.

To better address the financial needs of the low income population, Conference participants encourage continued linking between commercial banks, investors and financial service providers as well as further development of savings institutions, domestic capital markets, etc.

Conference participants observe the value and pre-eminence of country level networks or microfinance associations in educating microfinance stakeholders, advocating for policy change, etc., as well as the necessity to continue to strengthen

their capacity to address the needs of the Microfinance Institutions across the country.

In addition Conference participants call attention to the continued tendency to develop policy content without taking the time to determine how objectives will be achieved and how to translate content into something that results in a change. Not only is it necessary to look at demand and supply as well as constraints and opportunities, but it is also important to take a participative approach involving the key stakeholders so as to develop an appropriate vision that will be turned into a strategic action plan.

Nevertheless, Conference participants also recognise that there has been a lot of progress in developing policy frameworks that inform what a good financial system entails. This can already assist policy makers to ensure that the basic elements of policy are consistently and repeatedly applied.

Though building sound policy is key, Conference participants recognise that it takes time and effort to go through the dialogue, strategy building, lobbying for policy reform, etc.

To facilitate the implementation of the Conference agenda, e.g. the “Increasing of the microfinance outreach and effectiveness in Africa”, the Conference participants recommend:

- The AFMIN consensus document developed in 2000 should continue to be the consensus document that all parties can use with all key stakeholders (the appropriateness of the document can be reviewed regularly and changes made when needed).
- Country level networks should meet in 2005 and discuss what kinds of things are needed and what kinds of actions should be taken. These action plans from the country level networks should be shared with AFMIN in order to inform other networks.
- An African Microfinance Watch should be launched to help monitor the above recommendations as well as the performance, evolution, sustainability, depth and weight of the microfinance sector in Africa.
- Information exchange across networks should be intensified.